MITSUBISHI UFJ FINANCIAL GROUP INC
Form 6-K
January 22, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under

the Securities Exchange Act of 1934

For the month of January 2015

Commission File Number 000-54189

MITSUBISHI UFJ FINANCIAL GROUP, INC.

(Translation of registrant s name into English)

7-1, Marunouchi 2-chome, Chiyoda-ku

Tokyo 100-8330, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or

will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F ________

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(7):

Table of Contents

EXHIBITS TO FORM 6-K

Exhibit Number	**Description**
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 22, 2015

Mitsubishi UFJ Financial Group, Inc.

By:	/s/ Akira Takeda
Name:	Akira Takeda
Title:	Chief Manager, General Affairs Corporate Administration Division

Table of Contents

TABLE OF CONTENTS

Table of Contents

FINANCIAL REVIEW

Introduction

We, Mitsubishi UFJ Financial Group, Inc., or MUFG, are a holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., or BTMU, Mitsubishi UFJ Trust and Banking Corporation, or MUTB, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., or MUMSS (through Mitsubishi UFJ Securities Holdings Co., Ltd., or MUSHD, an intermediate holding company), Mitsubishi UFJ NICOS Co., Ltd., and other subsidiaries. Through our subsidiaries and affiliated companies, we engage in a broad range of financial businesses and services, including commercial banking, investment banking, trust banking and asset management services, securities businesses, and credit card businesses, and provide related services to individuals and corporate customers.

For the purposes of this Report, we have prepared our unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, except for otherwise specifically identified information, including business segment information and risk-adjusted capital ratios. Unless otherwise stated or the context otherwise requires, all amounts in our unaudited condensed consolidated financial statements are expressed in Japanese yen.

Effective July 1, 2014, we integrated BTMU s operations in the Americas region with the operations of UnionBanCal Corporation, or UNBC, which is a wholly owned subsidiary of BTMU, and changed UNBC s corporate name to MUFG Americas Holdings Corporation, or MUAH. Union Bank, N.A., which is MUAH s principal subsidiary, was also renamed MUFG Union Bank, N.A., or MUB, effective the same day. Throughout this Report, the new corporate names, MUAH and MUB are used in place of UNBC and Union Bank, respectively.

Summary of Our Recent Financial Results

We reported net income attributable to Mitsubishi UFJ Financial Group of ¥838.3 billion for the six months ended September 30, 2014, an increase of ¥455.0 billion from ¥383.3 billion for the six months ended September 30, 2013. Our diluted earnings per common share (earnings applicable to common shareholders of Mitsubishi UFJ Financial Group) for the six months ended September 30, 2014 was ¥58.35, an increase of ¥32.25 from ¥26.10 for the six months ended September 30, 2013. Income before income tax expense for the six months ended September 30, 2014 was ¥1,274.0 billion, an increase of ¥743.6 billion from ¥530.4 billion for the six months ended September 30, 2013. Our business and results of operations, as well as our assets and liabilities, are heavily influenced by trends in economic conditions particularly in Japan, which slowed down with negative gross domestic product, or GDP, growth during the six months ended September 30, 2014, after the increase in the consumption tax rate in April 2014. Interest rates remained low under the Bank of Japan s monetary policy during the six months ended September 30, 2014, while the Japanese stock market improved during the latter half of the six-month period, as the Japanese yen depreciated against the U.S. dollar as economic conditions continued to gradually improve and interest rates rose in the United States. Our results of operations for the six months ended September 30, 2014 were also affected by declining interest rates in Europe in anticipation of further monetary easing by the European Central Bank, or ECB, which caused the value of euro-denominated bonds to significantly increase, resulting in higher net trading account profits, partially offset by a worsening of net foreign exchange losses attributable to the appreciation of the Japanese yen against the Euro.

Table of Contents

The following table presents some key figures relating to our financial results:

	Six months ended September 30, 2013	2014
	(in billions, except per share data)	
Net interest income	¥ 966.4	¥ 1,101.4
Credit for credit losses	60.2	68.1
Non-interest income	693.5	1,432.8
Non-interest expense	1,189.7	1,328.3
Income before income tax expense	530.4	1,274.0
Net income before attribution of noncontrolling interests	431.0	864.0
Net income attributable to Mitsubishi UFJ Financial Group	383.3	838.3
Diluted earnings per common share earnings applicable to common shareholders of Mitsubishi UFJ Financial Group	26.10	58.35

Our net income attributable to Mitsubishi UFJ Financial Group mainly reflects the following:

Net interest income. Net interest income is a function of:

- the amount of interest-earning assets,
- the amount of interest-bearing liabilities,
- the general level of interest rates,
- the so-called spread, or the difference between the rate of interest earned on interest-earning assets and the rate of interest paid on interest-bearing liabilities, and
- the proportion of interest-earning assets financed by non-interest-bearing liabilities and equity.

Net interest income for the six months ended September 30, 2014 was ¥1,101.4 billion, an increase of ¥135.0 billion from ¥966.4 billion for the six months ended September 30, 2013. The increase in net interest income was primarily attributable to an increase in interest income reflecting larger volumes of domestic and foreign loans, partially offset by a smaller increase in interest expense mainly reflecting increased volumes of domestic and foreign interest-bearing deposits. The average interest rate spread increased 0.03 percentage points to 0.93% for the six months ended September 30, 2014 from 0.90% for the six months ended September 30, 2013. The average interest rate on foreign interest-earning assets increased 0.28 percentage points, mainly reflecting higher interest rates on foreign loans, trading account assets and investment securities. The average interest rate on foreign interest-bearing liabilities increased 0.10 percentage points, mainly reflecting higher short-term interest rates in the U.S. market primarily as a result of the tapering of the quantitative monetary easing program by the Federal Reserve Board, or FRB. However, the average interest rate spread on domestic activities declined since the average interest rate on interest-earning assets declined as interest rates continued to decline in Japan and competition further intensified in the domestic loan market, while the average interest rate on interest-bearing liabilities remained at near-zero levels.

2

Table of Contents

The following table is a summary of the amount of interest-earning assets and interest-bearing liabilities, average interest rates, the interest rate spread and non-interest-bearing liabilities for the six months ended September 30, 2013 and 2014:

	Six months ended September 30,			
	2013		2014	
	Average balance	Average rate (Annualized)	Average balance	Average rate (Annualized)
	(in billions, except percentages)			
Interest-earning assets:				
Domestic	¥ 133,873.2	0.90%	¥ 142,428.9	0.82%
Foreign	72,980.3	1.73	84,150.0	2.01
Total	¥ 206,853.5	1.19%	¥ 226,578.9	1.26%
Financed by:				
Interest-bearing liabilities:				
Domestic	¥ 139,238.0	0.18%	¥ 146,635.7	0.17%
Foreign	45,064.0	0.64	54,943.5	0.74
Total	184,302.0	0.29	201,579.2	0.33
Non-interest-bearing liabilities	22,551.5		24,999.7	
Total	¥ 206,853.5	0.26%	¥ 226,578.9	0.29%
Interest rate spread		0.90%		0.93%
Net interest income as a percentage of total interest-earning assets		0.93%		0.97%

Provision (credit) for credit losses. Provision for credit losses is charged to operations to maintain the allowance for credit losses at a level deemed appropriate by management. When there is an improvement in asset quality, credit for credit losses is recorded to reduce the allowance for credit losses to an appropriate level. For the six months ended September 30, 2014, we recorded credit for credit losses of ¥68.1 billion, compared to credit for credit losses of ¥60.2 billion for the same period of the previous fiscal year. For details of the provision for credit losses and a description of the approach and methodology used to establish the allowance for credit losses, see Financial Condition Loan Portfolio.

Non-interest income. Non-interest income consists of:

- fees and commissions income, including:
  - trust fees,
  - fees on funds transfer and service charges for collections,
  - fees and commissions on international business,

fees and commissions on credit card business,

service charges on deposits,

fees and commissions on securities business,

fees on real estate business,

insurance commissions,

fees and commissions on stock transfer agency services,

guarantee fees,

fees on investment funds business, and

other fees and commissions,

Table of Contents

foreign exchange gains (losses) net, which include gains (losses) on foreign exchange derivative contracts (for example, foreign exchange gains (losses) on currency derivatives), foreign exchange gains (losses) on other than derivative contracts (for example, gains (losses) on foreign exchange transactions), and foreign exchange gains (losses) related to the fair value option (for example, foreign exchange gains (losses) on securities under the fair value option),

trading account profits (losses) net, which primarily include net profits (losses) on trading account securities and derivative contracts entered into for trading purposes, including assets relating to the following activities:

trading purpose activities, which are conducted mainly for the purpose of generating profits either through transaction fees or arbitrage gains and involve frequent and short-term selling and buying of securities, commodities or other financial instruments, and

trading account assets relating to the application of certain accounting rules, which are generally not related to trading purpose activities but are classified as trading accounts due to the application of certain accounting rules, such as assets that are subject to fair value option accounting treatment or investment securities held by variable interest entities, or VIEs, that are classified as trading account securities.

Of the two categories, trading purpose activities represent a larger portion of our trading account profits for the six months ended September 30, 2014,

investment securities gains (losses) net, which primarily include net gains (losses) on sales and impairment losses on available-for-sale securities,

equity in earnings (losses) of equity method investees net, which includes our equity interest in the earnings of our equity method investees and impairment losses on our investments in equity method investees,

gains (losses) on sales of loans net, which include net gains (losses) on sales of loans which in many cases are non-performing loans, and

other non-interest income.

The following table is a summary of our non-interest income for the six months ended September 30, 2013 and 2014:

	Six months ended September 30, 2013	Six months ended September 30, 2014
	(in billions)	
Fees and commissions income	¥ 639.4	¥ 672.1
Foreign exchange losses net	(35.7)	(43.0)
Trading account profits (losses) net	(192.1)	562.5
Investment securities gains net	130.0	63.2
Equity in earnings of equity method investees net	87.2	121.5
Other non-interest income	64.7	56.5
Total non-interest income	¥ 693.5	¥ 1,432.8

4

Table of Contents

Fees and commissions income for the six months ended September 30, 2014 was ¥672.1 billion, an increase of ¥32.7 billion mainly due to advisory fees received for a large-scale structured finance project and higher fees charged for domestic retail banking transactions conducted through channels operated by third-party business partners, and larger volumes of insurance products sold by our banking subsidiaries as agent for insurance companies. The increase also reflected higher fees and commissions relating to our credit card business mainly attributable to the positive impact of the consolidation of Bank of Ayudhya Public Company Limited, or Krungsri, while fees and commissions on our securities business decreased mainly due to lower transaction volumes.

Net foreign exchange losses for the six months ended September 30, 2014 were ¥43.0 billion, compared to ¥35.7 billion for the six months ended September 30, 2013. Our banking subsidiaries recorded larger losses on currency swap contracts and paid higher currency option premiums. In addition, while the Japanese yen depreciated against the U.S. dollar, the appreciation of the Japanese yen against the Euro and other currencies caused a decline in the Japanese yen values of securities denominated in Euro or such other currencies under the fair value option. These losses were partially offset by the positive effect of the stronger Japanese yen on the transaction losses on the translation into Japanese yen of monetary liabilities denominated in Euro or such other currencies.

Net trading account profits for the six months ended September 30, 2014 were ¥562.5 billion, compared to ¥192.1 billion of net trading account losses for the six months ended September 30, 2013. This improvement was mainly due to an improvement of ¥630.7 billion in net profits on trading account securities, excluding derivatives, resulting from an increase in the value of foreign debt securities under the fair value option, reflecting the general decrease in interest rates in the Eurozone, including Germany and France, in anticipation of further monetary easing by the ECB, and also due to an improvement of ¥123.9 billion of net profits on derivative contracts reflecting an increase in net profits from a net receive position in interest rate swaps, taking advantage of lower interest rates in Japan.

Net investment securities gains for the six months ended September 30, 2014 were ¥63.2 billion, compared to ¥130.0 billion for the six months ended September 30, 2013. This was mainly due to decreases in net gains on sales of available-for-sale marketable equity securities and debt securities reflecting reduced volumes of sales transactions in exchange traded funds, or ETFs, and Japanese government bonds, compared to those for the six months ended September 30, 2013, when we decreased our holdings of these securities as part of our asset and liability management and interest rate risk management strategies.

Net equity in earnings of equity method investees for the six months ended September 30, 2014 was ¥121.5 billion, compared to ¥87.2 billion for the same period of the previous fiscal year, reflecting an increase of ¥37.2 billion in equity in earnings of Morgan Stanley.

Non-interest expense. Non-interest expense consists of:

- salaries and employee benefits, which include the amount of money paid as salaries and bonuses as well as the cost of fringe-benefits,
- occupancy expenses net, which include the amount of money paid as rents for offices and other facilities,
- fees and commissions expenses, which include the amount of money paid as fees and commissions on services received,
- outsourcing expenses, including data processing, which include the amount of money paid for the outsourcing services, including IT-related services,

depreciation of premise and equipment, which includes the depreciation of the value of buildings, equipment and furniture through the passage of time,

amortization of intangible assets, which includes the amount of deductions of the cost of investments in software and other intangible assets over their estimated useful lives,

Table of Contents

impairment of intangible assets, which includes the amount of reductions in the carrying amounts of intangible assets with indefinite useful lives in excess of their fair values,

insurance premiums, including deposits insurance, which include the amount of money paid as the insurance premiums including the deposit insurance premiums paid to the Deposit Insurance Corporation of Japan,

communications, which include the amount of money paid for communications such as postal services and telecommunications,

taxes and public charges, which include the amount of tax payments and other public charges,

provision for repayment of excess interest, which includes the amount of money reserved for the estimated amount of repayment of excess interest payments received in our consumer finance and credit card subsidiaries,

impairment of goodwill, which includes the amount of reductions in the carrying amount of goodwill recorded in connection with the acquisition of companies in excess of its fair value, and

other non-interest expenses.

The following table is a summary of our non-interest expense for the six months ended September 30, 2013 and 2014:

	Six months ended September 30, 2013	Six months ended September 30, 2014
	(in billions)	
Salaries and employee benefits	¥ 496.8	¥ 534.9
Occupancy expenses net	78.6	82.6
Fees and commission expenses	111.4	118.5
Outsourcing expenses, including data processing	105.1	121.6
Depreciation of premises and equipment	49.4	54.5
Amortization of intangible assets	99.6	107.3
Impairment of intangible assets	0.1	0.1
Insurance premiums, including deposit insurance	50.4	57.2
Communications	24.9	26.7
Taxes and public charges	34.5	47.6
Other non-interest expenses	138.9	177.3
Total non-interest expense	¥ 1,189.7	¥ 1,328.3

Non-interest expense for the six months ended September 30, 2014 was ¥1,328.3 billion, an increase of ¥138.6 billion from ¥1,189.7 billion for the six months ended September 30, 2013. This increase was mainly attributable to an increase in salaries and employee benefits as well as an increase in other non-interest expenses, reflecting $315 million, or ¥34.5 billion, of provision for a liability recorded in anticipation of a monetary payment to the New York Department of Financial Services, or DFS, which payment was made in November 2014. See Recent Developments.

Core Business Areas

We operate our main businesses under an integrated business group system, and we treat each integrated business group as a business segment. Under this system, the operations of BTMU, MUTB, MUMSS (through MUSHD), Mitsubishi UFJ NICOS and other subsidiaries are integrated into the following five integrated business groups Retail, Corporate, Trust Assets, Global, and Global Markets. In addition to these five integrated business groups, Krungsri, our banking subsidiary in Thailand, is treated as a business segment. Operations that are not covered under the integrated business group system and Krungsri, as well as the elimination of duplicated amounts of net revenues among business segments, are classified under Other.

Table of Contents

Our business segment information is based on financial information prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, as adjusted in accordance with internal management accounting rules and practices, except for Krungsri for which the business segment information is based on financial information prepared in accordance with Thai Financial Reporting Standards. Accordingly, the format and information are not consistent with our unaudited condensed consolidated financial statements included elsewhere in this Report, which have been prepared in accordance with U.S. GAAP. For a reconciliation of operating profit under our internal management reporting system to income before income tax expense shown on the unaudited condensed consolidated statements of income, see Note 17 to our unaudited condensed consolidated financial statements included elsewhere in this Report.

The following table sets forth the relative contributions to operating profit for the six months ended September 30, 2014 of the five integrated business groups, Krungsri and other based on our business segment information:

	Integrated Retail Banking Business Group	Integrated Corporate Banking Business Group	Integrated Trust Assets Business Group	Integrated Global Business Group			Krungsri	Integrated Global Markets Business Group	Other	Total
				Other than MUAH	MUAH	Total				
					(in billions)					
Net revenue	¥ 636.7	¥ 462.6	¥ 81.7	¥ 303.6	¥ 184.9	¥ 488.5				